



Contract Closeout Business Line
DRAFT FISCAL YEAR 2001 – 2005 PLAN

March 29, 2001

Executive Summary

This Five-year Business Plan describes the operations, planning, and objectives of the Contracts Closeout Business Line in the Department of Energy's (DOE) Working Capital Fund (WCF). The plan is organized according to Balanced Scorecard (BSC) planning concepts. This plan uses the trends and lessons learned from the WCF's first four years of operation to meet DOE and Office of Management and Administration (MA) strategic goals, and describes performance measures that will result in a more efficient and more customer-oriented Business Line.

Balance Score Card Objectives:

- **Customers:** Provide competent and accurate closeout of targeted instruments.
- **Financials:** Improve the availability of funding to programs.
- **Internal Processes:** Improve contract closeout to accommodate changing contract types.
- **Learning and Growth:** Improve knowledge, skills, and abilities of staff and improve business systems that support the business line.

Accomplishments:

- In FY 2000, the business line activity resulted in a record level of contract deobligations, a total of \$12.4 million. This returns spending authority to mission programs to apply to high priority needs. There was \$22 in deobligations for each \$1 charged to customers, double the level from FY 99.

Pricing Policy:

The pricing policy for this business is set out in Appendix A. The pricing policy will remain unchanged over the next five years barring any unforeseen changes in the cost structure.

- **Introduction**

The Contract Closeout business line provides programs with services to complete the procurement activity related to each instrument. The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS). This reduces the Department's legal exposure to contractors. The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include: purchase orders, firm fixed price contracts, interagency agreements, financial assistance instruments and cost reimbursement.

Planning Process: Our objectives for improving business line performance are in line with those of MA and the WCF and support the Department's strategic objectives in Corporate Management. MA objectives are to provide the DOE with the best value and with quality products and management services. The WCF objectives are to improve the efficiency of DOE administrative services and to provide accurate full-cost budgets.

Each year the business line updates its five-year plan using a balanced scorecard approach with objectives, performance goals to measure our success, and strategies to reach our objectives. We report progress towards these balanced scorecard objectives to the WCF Board on a quarterly and annual basis. We implement pricing policies that are based on the guidelines provided in the Working Capital Fund Guide to Services and Procedures 2000 (the Blue Book).

External regulation and partnerships: The Federal Acquisition Regulation (FAR) at Subparts 4.8, 42.3 and 42.7 address contract closeout. Contract closeout is a specific contract administration function of the Contracting Officer. The FAR sets forth time standards for closing out contract files. The contract closeout business line manager has incorporated the regulation requirements in the contract closeout process.

Resources and capabilities of the organization: There are two federal staff supported by 10 contractor staff who perform the actual contract close out.

Needs and capabilities of customers: Contract closeout is a small but integral part of the entire procurement effort provided to DOE program customers by the Office of Headquarters Procurement Services. Its value is to the complete procurement, competent processing in compliance with government regulations, and as a source of uncosted balances. Customers cannot provide this service themselves and rely on this business to complete the procurement action on these instruments. Customers enjoy timely and accurate forecasts of spending and an auditable accounting of related costs.

Future competitive advantages: We are not aware of truly competitive service offerings.

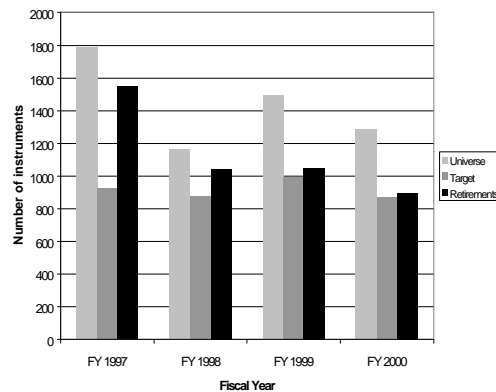
Balance Scorecard Elements

Customer Objective: Provide competent and accurate closeout of targeted instruments.

The supply of contracts in closeout status is a product of the general contracting activities of program customers. For this reason, customers do not demand closeouts. Customer demand is for a competent process to complete the procurement process. We serve our customers by communicating the inventory of their contracts in closeout status, predicting their WCF funding requirements, and keeping them informed of the monthly status of closeout and unclosed balances made available as a result of the closeout. Each summer, we analyze contract status and negotiate the following fiscal year program with each customer. Upon receipt of their advanced funding we begin executing contract closeouts and report each month, where appropriate, progress on closeouts, obligated balances returned to DOE, and revised closeout status.

Performance Goal	Performance Standard
Retire physically completed targeted instruments.	Close 100% of targeted contracts each fiscal year.

Baselines:



Data Source: PADS and CUTS **Frequency:** Monthly

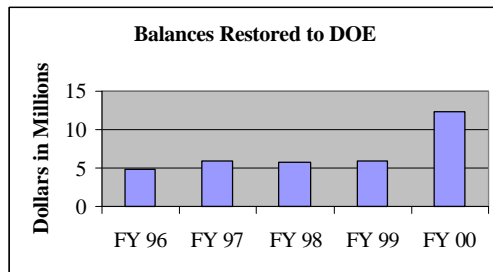
Strategies for Improving Customer Satisfaction	Fiscal Year				
	2001	2002	2003	2004	2005
Negotiate with customers the number and type of contracts to be closed each year.	x	x	x	x	x
Prepare monthly status report for customers.	x	x	x	x	x

Financial Objective: Improve the availability of funding for programs.

In FY 2000, the business line activity resulted in a record level of contract deobligations, a total of \$12.4 million.

Performance Goal	Performance Standard
Return uncosted balances	Return 100% of uncosted balances for retired instruments to DOE.

Baseline:



Data Source: PADS and CUTS **Frequency:** Monthly

Strategies for Improving Financial Efficiency/Accountability	Fiscal Year				
	2001	2002	2003	2004	2005
Prioritize closeouts of targeted instruments to maximize deobligations of funds.	x	x	x	x	x

Internal Processes Objective: Improve contract closeout to accommodate changing contract types.

Contractors perform contract closeout for the Department. Process improvements rely on contractor efforts in process review, training, and improved business methods. The types of DOE instruments are changing with a trend toward more performance based contracts and fewer cost reimbursement contracts. Within a few years, this will reduce overall processing time for contract closeouts.

The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the four years that this activity has been a Working Capital Fund business. The inventory has decreased by 55% from 2,927 instruments in FY 1996 to 1,304 instruments by the end of FY 2000. With this reduction in the backlog of aged instruments, the contract closeout business line is operating with a manageable inventory. This was achieved through customer/supplier cooperation. Customers have agreed to finance annually the closeout of approximately the number of new instruments becoming available for closeout, stabilizing the inventory, and, as shown in the comparison of annual targets to actual retirements, the business line is meeting the promised number of retired instruments in accordance with service agreements.

Performance Goal	Performance Standard
Increase process efficiency	Increase productivity by 2%.

Baseline: Productivity is measured by the number of instruments actually closed versus those planned for closure during a specified time.

Type of Instrument	Standard
Purchase Order	6 hours
Firm Fixed Price	6 hours
Interagency Agreement	6 hours
Financial Assistance	11 hours
Cost Reimbursement	124 hours

Data Source: PADS and CUTS

Frequency: Monthly

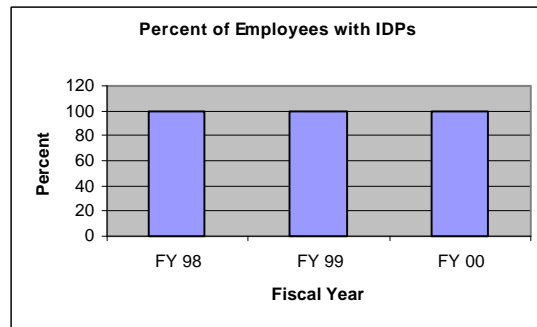
Strategies for Improving Internal Processes	Fiscal Year				
	2001	2002	2003	2004	2005
Analyze changing nature of contracts and their impact on contract closeout activity	x	x	x	x	X
Negotiate productivity improvements with contractors	x	x	x	x	X

Learning and Growth Objective: Improve knowledge, skills and abilities of staff and improve business systems in support of business line mission.

The Closeout Manual describes all duties related to contract closeout. It is distributed to all contractor staff to define duties and instruct them in proper procedures to perform contract closeouts. The manual is continuously updated to ensure that contractors follow streamlined procedures. Contractor staff is trained using the manual. We have found it to be a significant contribution to staff skills. The contractor also has a succession plan in place to ensure the proper skills are maintained to fulfill their contractual requirements.

Performance Goal	Performance Standard
Federal Employee IDPs	All Federal employees associated with the closeout business line have IDPs
Contractor Employee Training	Each contractor employee is assessed annually for incremental training needs

Baseline:



Data Source: Employee IDPs

Frequency: Annual

Strategies for Improving Employee Learning and Growth	Fiscal Year				
	2001	2002	2003	2004	2005
Ensure all Federal employees have IDPs and contractor assessments are completed.	x	x	x	x	X
Ensure all Federal IDPs are completed and contractor training, as needed is also completed.	x	x	x	x	X
Update the Closeout Manual as needed to improve closeout processing.	x	x	x	x	X

Appendix A. Pricing Policy

The customer may choose one of three pricing options regarding contract closeout services:

(1)	<u>Base Level Service</u>	<u>Unit Cost</u>
	Purchase Order	\$ 240
	Firm Fixed Price	\$ 240
	Interagency Agreement	\$ 320
	Financial Assistance	\$ 440
	Cost Reimbursement	\$4,960

This is the standard pricing option the customer may choose by applying the unit cost to the number and type of instruments to be retired. The unit cost was developed by applying the number of hours to retire an instrument to the average hourly loaded rate, i.e., for a purchase order (6 hours x \$40/hour = \$240).

(2)	<u>Additional Directed Service</u>	<u>Unit Cost</u>
	Purchase Order	\$ 540
	Firm Fixed Price	\$ 540
	Interagency Agreement	\$ 720
	Financial Assistance	\$ 1,020
	Cost Reimbursement	\$11,160

This pricing option is at a premium cost based upon the need to hire additional higher rated, short time staff to perform closeout of these instruments.

(3) Dedicated Service

Dedicated Service is priced at \$31,200 for a three-month period. There are no unit prices for this service.